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Preserving the tax breaks for Furnished Holiday Lets (FHL)

Due to lack of bookings for FHL there's a risk that your property might not qualify for the special tax breaks this year.

Tax advantages

As a reminder, if you own a property which you let for short periods it might qualify for special FHL tax treatment (see later for a summary of the rates). The tax advantages of these are:

- Capital gains tax (CGT) rollover relief . This can defer the CGT bill if you make a gain from selling the property and reinvest in another.
- CGT Business Asset Disposal Relief (BADR) could reduce the amount of CGT payable on gains from selling the property whether or not you buy another.
- Tax deductions for interest and other finance costs on borrowing used for the FHL are not restricted to the basic rate of tax.
- Capital Allowances (see part one of this FHL series for more details) for furniture, equipment and fixtures used in the property enable full write off against profits, possibly in one year.

Conditions for FHL status

To qualify as an FHL:

- The property must be available for letting to the public for at least 210 days in a year (the availability condition).
- The property must be let to the public as an FHL for at least 105 days in a year (the letting condition).

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- Lettings of 31 or more consecutive days to the same tenant must not exceed 155 days in total per year (the occupancy condition).

Note however that periods where you occupy the property, or allow others to on a non-commercial basis, e.g friends and family, must be excluded when working out whether the availability and letting conditions are met.

What if your bookings drop in a year?

The FHL rules allow a “period of grace election” . You can elect for a property which qualifies as an FHL one year to qualify for up to two subsequent years, even if it doesn’t meet the letting conditions, as long as:

- The property is actually let for some days during the period in question.
- There is a genuine intention to meet the letting condition in those years.
- The other qualifying conditions are met.

If you think you have a FHL qualifying property, and for whatever reason, for example, Covid, the weather etc results in the actual lettings falling below 105 days in a year, use of this little known election could prove very valuable.

We can help

If you have any questions in relation to furnished holiday lets or any of the issues raised in this Broadcast, please call us on **01753 888 211** or email **info@nhllp.com**